



SkyViews

Apartment Report - Winter 2023

CLIFF'S CORNER



Happy New Year and Best Wishes for a Prosperous 2023! I hope you had a great holiday season spent with loved ones making memories. As we often do at the start of a new year, we reflect back on the previous year and look to its insights into how we may better ourselves in the year ahead. In the multi-unit residential industry, we have had an interesting year in 2022, one that saw a number of new trends emerging as the industry adjusted to the economic conditions we now find ourselves in following two years that were quite unprecedented. I thought that this would be a great opportunity to do a "Year in Review" in this edition of the newsletter; to discuss these trends that we are seeing in our real estate sector specifically.

Historically, investing in apartment buildings has always been a safe and profitable venture. We have gone through the many ups and downs in the economy over the years, and yet have continued to thrive even when other sectors of real estate slowed. This stability hasn't changed over the past year, but we would be remiss if we didn't recognize that some things are changing in our industry as a result of the broader impact of world events. Don't worry, this is not a "doom and gloom" type of reflection; quite the opposite. I believe many of the trends we are seeing emerge in 2022 have both negative and positive connotations for us. It's all in how we interpret the signs and how we adjust or react to those trends.

Skyview Realty continues to service an industry we love and clients we appreciate wholeheartedly. I hope in 2023 we can demonstrate that to you when you are in need of brokerage services for your next steps in the apartment building industry. If you are considering selling a property this year, we have the knowledge and experience to guide you through the process with our proven systems. I welcome you to contact me anytime to discuss any questions you may have about the market at this time and to show you how our systems can bring you the success you are looking for with your properties.

Cliff Ford
Sales Representative, Director of Sales & Marketing

YOU HEARD IT FROM THE EXPERTS...

2022: A Year in Review

2022 was a year of adjustments and changes in which some new trends emerged in our industry. Based on our discussions with many owners throughout the province this year, we thought it would be beneficial to identify these trends for you to interpret how these changes could affect you and your business.

1) FINANCING

Obviously we are all aware that interest rates were the biggest story in financing of apartment buildings this past year. As of today's date a 5 year mortgage would be at around 4.5% when a year ago that rate would have been 2.6% for a CMHC insured mortgage. But this increase in rates has started to make Vendor Take Back mortgaging more appealing in order for a Seller to still get their price and the Buyer to still get their returns. Whereas VTB mortgages were often only in second position, we are seeing more Vendors offering it in first position to adjust for the financing market we are in. How properties are being underwritten is also adjusting. It used to be that a lender would apply a certain region specific CAP rate to a property and then loan up

to 85% of that value. Lately, the CAP rate has somewhat taken a backseat to Debt Service Ratio when determining how much could be borrowed against the property, because of the increase in financing rates. Both CAP rate and DSR are still factors to be considered but DSR is becoming the more prevalent factor in today's market as it relates to financing.

2) PROPERTY SALES

Reviewing the number of transactions occurring - particularly in the latter half of 2022 - there is a considerably lower amount of "inventory" on the market. This may be partially due to sellers taking a cautious pause to see how the rising interest rates would affect the market. It certainly does not speak to a lack of demand as we know there is still a great deal of interest by Buyers to acquire new properties. One example of this is that in 2020 and 2021 we saw a significant rise in new investors coming into our industry and they continue to want to grow their portfolios further. But the sales process has certainly adjusted in 2022. Whereas in 2021 there was an increase in the

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IF YOU ARE THINKING OF BUYING OR SELLING, PLEASE CALL (416) 444-6545 FAX (416) 444-6997



2022: A Year in Review

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amount of offers that would be submitted 'firm' with no conditions - sometimes even sight unseen - we are now seeing the re-emerging of the conditional period and sometimes a slightly longer closing date due to the need to arrange suitable financing with the current rates.

3) LANDLORD TENANT BOARD

Ever since 2020 there has been a lengthy backlog when it comes to dealing with anything at the Landlord Tenant Board. While the LTB has made some gains on that backlog, we are still not at pre-pandemic levels. A recent CBC Marketplace report highlighted this backlog, and the impact it had on many owners of apartment buildings throughout the province. The report called for action by the LTB to invest in additional staffing and procedures to make the board

more efficient for both landlords and tenants alike. The backlog is also having an impact on the Above Guideline Increase applications as well. We have been hearing from several owners recently that they are intentionally delaying Capital Expenditures at this time, electing to do minor repairs only as necessary, rather than invest large capital into a complete CAPEX replacement; knowing it could take 3 years to get their AGI approved and implemented.

4) VACANCY & RENTAL RATES

In Ontario we have had fairly steady and low vacancy rates for the past two decades, typically hovering around 2-3%. This has started to change and we are seeing the average vacancy rates climbing slightly to between 3-4% according to CMHC's surveys. Some of this may

be due to the pandemic, as some renters moved back home or because immigration slowed while travel was restricted. But on the other hand, rental rates have increased in Ontario in 2022. According to a rentals.ca year end survey, Canada's average rental rate surpassed \$2,000 per month for the first time. Even the smaller markets in Ontario are seeing a jump in market rents. Owners are finding that investing in condo-quality finishes and tenant amenities such as ensuite laundry are enabling them to get a greater lift in the rents on turnover.

No one knows what 2023 will bring but I'm still convinced our industry will continue to be resilient as we adjust to these new trends. I wish you all the very best in the year to come!

MEET THE SKYVIEW TEAM



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Creator

WE DON'T
JUST LIST
APARTMENT
BUILDINGS...
WE SELL THEM!

OAKVILLE

GREAT LOCATION!



- Seller asking \$11,500,000
- Recent improvements include exterior brick painting, hallway carpeting, new hot water tanks, & many units renovated
- Great Upside on rents of approx. \$12,000/month
- Large corner lot for potential future redevelopment
- Tenants Pay Own Hydro
- 18 x 2 Bedrooms
- 12 x 3 Bedrooms
- 1 x 3 Bedroom House
- Professionally Managed
- Seller asking 3.7% CAP Rate
- Ex. 1st Mortgage to be Assumed by Buyer at 2.04%
- VTB 2nd Available at 2.0%
- Average Financing Rate at 2.024% may be Achievable

30 Suites + 1 House

BURLINGTON

VTB 1st AVAILABLE!



- Asking \$3,400,000
- Asking \$377,778 per Suite
- Located in Quiet Neighbourhood next to a large park
- Windows replaced in 2006
- Roof replaced in 2020
- Owned and managed by the same family for over 30 years
- 1 x 1 Bedrooms
- 8 x 2 Bedrooms
- Great upside on rents
- Seller currently getting \$1,900+ for 2 bedrooms
- Treat Financing as Clear
- Seller will consider a VTB 1st mortgage to facilitate the sale

9 Suites

THUNDER BAY

RECENTLY SOLD!



Skyview Realty listed and sold this senior catered living apartment building in Thunder Bay. Formerly a hospital, it was converted into apartments in recent years. There was significant vacant space that had not been developed yet on the commercial ground floor and two wings of the former hospital. An additional 10-12 units could be added in the unused space and the ground floor could be reconfigured for more apartments or senior-focused commercial services. The property had some long-term commercial tenants that provided services to the senior tenants and there were many amenity spaces including party rooms, libraries, exercise rooms, and a dining hall. There was a great on-site staff team operating the business which the buyer retained following closing.

109 Suites + Development

ATTENTION: BUYERS!



WE WANT TO HEAR FROM YOU!

Skyview Realty has created a survey that allows you, a buyer of apartment buildings in Ontario, to let us know your preferences when purchasing a property. Spending 5 minutes filling out our questionnaire will inform us of what could be a good fit for you. There are times when a Seller wishes to not expose their property to the general public for one reason or another, but asks Skyview Realty to find a buyer directly. Having your "buyer's profile" in our system means we can alert you when a property is available that you may have interest in. We welcome you to visit the site below to get started!

www.skyviewrealty.com/buyers/

INDUSTRY REPORT

SKYVIEW'S RECOMMENDED SERVICES

WANT AN OFFER?

Skyview Realty has a good number of active and qualified buyers who are looking for multi-unit residential buildings throughout Ontario.

If you are considering selling your property, we may be able to bring you an offer immediately. For more information, contact us at 416.444.6545 or info@skyviewrealty.com

WE HAVE BUYERS!

Ady Steen

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MULTI-UNIT RESIDENTIAL - RECENT TRANSACTIONS

280 Airth Blvd W, Renfrew	Sep. 8, 2022	30 Suites @ \$156,667	\$4,700,000
112-116 Emma St, Cornwall	Sep. 13, 2022	16 Suites @ \$150,000	\$2,400,000
300 Regent St, Kingston	Sep. 19, 2022	46 Suites @ \$167,609	\$7,710,000
1616 Ouellette Ave, Windsor	Sep. 21, 2022	121 Suites @ \$76,033	\$9,200,000
475-477 Lancaster St W, Kitchener	Oct. 3, 2022	58 Suites @ \$285,517	\$16,560,000
420 Belmont Ave W, Kitchener	Oct. 17, 2022	8 Suites @ \$214,375	\$1,715,000
51 Owen St, Penetanguishene	Oct. 19, 2022	30 Suites @ \$149,167	\$4,475,000
123 Bellamy St, Scarborough	Nov. 1, 2022	250 Suites @ \$378,000	\$94,500,000
2929 Carling Ave, Ottawa	Nov. 7, 2022	45 Suites @ \$144,444	\$6,500,000
8649 McHugh St, Windsor	Nov. 14, 2022	58 Suites @ \$368,966	\$21,400,000
246 Montcalm Ave, Sudbury	Nov. 16, 2022	9 Suites @ \$166,167	\$1,500,000
333 Garden St, Cambridge	Nov. 17, 2022	12 Suites @ \$150,833	\$1,810,000
190 Queen St S, Mississauga	Nov. 21, 2022	41 Suites @ \$320,122	\$13,125,000
5 East Ave, Kitchener	Nov. 24, 2022	8 Suites @ \$218,750	\$1,750,000
640 Mohawk Rd E, Hamilton	Nov. 25, 2022	71 Suites @ \$235,845	\$16,745,000

SOURCE: Realtrack Inc. www.realtrack.com 1-877-962-9033

WATCH ON INTEREST RATES



SOURCE: First National Financial LP | 416-593-2918 & www.bankofcanada.ca

SkyViews
Winter 2023

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